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SUBJECT: CHINA/AML: DAS GLASER'S MEETING WITH PEOPLE'S BANK
OF CHINA ANTI-MONEY LAUNDERING BUREAU DIRECTOR GENERAL TANG
XU

1. (SBU) Summary: The People's Bank of China (PBOC) Anti-Money Laundering Bureau was willing to consider formation of an anti-money laundering and illicit finance working group under the framework of the S&ED, PBOC Anti-Money Laundering Bureau Director General Tang Xu told Treasury DAS Glaser on October 20. China was still in the initial stages of development in the areas of anti-money laundering and illicit finance and appreciated the training provided by the United States on these subjects in Thailand. China was continuing to work diligently and was willing to enhance cooperation with the United States vis-a-vis a working group, focused on corruption fund outflows. The PBOC did not show great interest in using the working group to discuss Af-Pak illicit finance issues, despite a suggestion by the Chinese Ministry of Foreign Affairs to DAS Glaser to this effect. DAS Glaser will draft a proposed agenda for an early 2010 working group meeting, and the PBOC will review the agenda. End Summary.

Discussion of Cooperation and Proposal for a Working Group

2. (SBU) DAS Glaser began the October 20 meeting with Director General Tang Xu of the Anti-Money Laundering Bureau of PBOC by expressing his appreciation for the discussions held during the morning session of the October 20 meetings at Diaoyutai. DAS Glaser noted that there had been many opportunities to discuss big issues with the Chinese, such as North Korea and Iran, but there should be a means to discuss other areas of cooperation on more regular basis. One way this regular cooperation could take place would be through the establishment of a working group under the S&ED framework. DAS Glaser noted that the July S&ED statement called for China and the United States to strengthen cooperation on illicit finance issues. Additionally, during a meeting with PBOC Director General Xie Duo this past summer in Washington, the idea of a working group had been raised, and DG Xie had indicated his support for this idea. DAS Glaser reminded DG Tang of a letter he sent him with specific information on a proposal for the establishment of a working group.

China's Development on Anti-Money Laundering and Illicit
Finance Efforts

3. (SBU) DG Tang responded that he was familiar with these issues, had noted the directive in the July S&ED statement, and had received a report from DG Xie following his meeting in Washington with DAS Glaser. China was committed to addressing the issues of money laundering and illicit

finance, but was still in the initial stage of work on these issues. During this initial stage, China had established laws and regulations and improved investigation mechanisms. DG Tang explained that there had been great progress in 2007-2008, PBOC had referred over 40 cases to law enforcement, involving 100 billion renminbi. DG Tang also expressed his appreciation for recent training of Chinese officials conducted by the United States in Thailand on the subject of complex financial transactions and anti-money laundering. This training had been extremely useful to the Chinese banking staff and had increased their level of expertise in dealing with such problems.

Brainstorming the Structure and Topics for the New Working Group

14. (SBU) DAS Glaser acknowledged the great progress which China had made, but noted that there were still areas for improvement in the United States and China's systems. Both countries faced similar problems and so creating a regular working group would allow for collaboration and cooperation. The United States was open to China's suggestions for how the group could be structured and was flexible on the topics which would be discussed. This would not be a group to talk about North Korea, and would not replace existing mechanisms for dealing with sensitive issues. Additionally, the United States Secret Service was prepared to begin work immediately with China on the issue of counterfeit currency.

15. (SBU) DG Tang inquired what specific areas of discussion DAS Glaser proposed for this working group. Would

discussions of illicit finance be in terms of corruption, organized crime or anti-money laundering? How would the working group function in terms of information exchanges? Would there be intelligence sharing? He mentioned that intelligence sharing was already taking place between the China Anti-Money Laundering Monitoring and Assessment Center (CAMLMAC) and other countries. However, since there is no memorandum of understanding on intelligence sharing in this area with the U.S., PBOC could not commit to this kind of intelligence sharing.

PBOC Unwilling to Discuss Af-Pak Issues in the Working Group

16. (SBU) DAS Glaser said that during a meeting with the Chinese Ministry of Foreign Affairs (MFA), the United States had proposed a variety of possible working group topics. MFA had suggested that the working group could discuss the issue of illicit finance for the Taliban in Afghanistan and Pakistan.

17. (SBU) DG Tang rejected the suggestion of using the working group mechanism to discuss anything related to Afghanistan and Pakistan, and suggested that Chinese security bureaus would be a more appropriate partner for that type of discussion. The PBOC handled money laundering, but not Afghanistan and Pakistan, or criminal issues such as drug trafficking.

PBOC Suggests the Topic of Corruption Funds Outflow

18. (SBU) DG Tang raised the issue of corruption funds outflow as an issue of extremely high concern for the PBOC. Any mention of the corruption funds outflow issue to the PBOC or any other Chinese Ministry would be a welcome topic and would likely generate significant interest. If the proposed working group discusses corruption flows and illicit funds flows, then the PBOC would have an interest in participating.

Next Steps and Moving Forward

19. (SBU) DAS Glaser agreed to the suggestion to discuss corruption funds outflows and offered to draft an agenda for

review by the PBOC, with the intention of scheduling a first meeting in early 2010 in either Washington or Beijing. DG Tang responded that he would first need to consult with the Chinese S&ED Coordination office and his PBOC colleagues before committing to anything.

¶11. (SBU) DAS Glaser passed a page of information from the United States Secret Service detailing the necessary prerequisite for USSS anti-counterfeit training, such as sample Chinese Yuan notes. The PBOC response and samples could be passed via David Dollar or Jean-Paul Duvivier in the U.S. Treasury attache office in Embassy Beijing.

¶12. (U) The delegation cleared this message.

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